

IN THE MATTER OF:)	
)	
)	
Eugene Morrissette,)	
)	File No. 1000256
GM Enterprises, and its partners,)	
members, officers, directors, agents,)	
employees, affiliates, successors and)	
assigns.)	
)	

TO THE RESPONDENTS:

Eugene Morrisette
114 Ladd Hill Road
Belmont, NH 03220-3018

GM Enterprises
c/o Eugene Morrisette
114 Ladd Hill Road
Belmont, NH 03220-3018

FRAUD IN THE OFFER AND SALE OF SECURITIES

1. Respondent **Eugene Morrisette** ("Morrisette") is an individual with a last known address of 114 Ladd Hill Road, Belmont New Hampshire 03220-3018.
2. Morrisette is the Principal of Respondent **GM Enterprises**, an entity with a last known address of 114 Ladd Hill Road, Belmont New Hampshire 03220-3018.
3. On November 25, 2009, the State of New Hampshire, Department of State, Bureau of Securities Regulation entered an Order to Cease and Desist and an Order to Show Cause against Respondents Morrisette and GM Enterprises in connection with the fraudulent offer and sale of securities in that state.

4. The November 25, 2009 Order to Cease and Desist and the Order to Show Cause incorporated the Statements of Fact and Statements of Law from a Staff Petition for Relief that was issued on November 24, 2009. Among other facts, the Staff Petition for Relief made the following factual allegations:
 - a. GM Enterprises (hereinafter referred to as "GM") operates pyramid schemes controlled by Eugene Morrisette (hereinafter referred to as "EM") the principal of GM located at 114 Ladd Hill Road, Belmont, New Hampshire 03220-3018. GM and EM run two pyramid schemes consisting of the TAS Program and 240 Plus Program. The TAS Program has three phases. In phase one, a member pays a \$25 entry fee to GM and EM. That member then sponsors two new members who sponsor two new members. Each sponsored member pays \$20.00 to GM and EM totaling \$120.00. Of the \$120.00 GM and EM take \$100.00 and the sponsoring member gets \$20.00. If all six sponsored members pay they advance to phase two with an entry fee of \$80.00. Of the \$480.00 from phase two, \$440.00 goes to GM and EM and \$40 gets paid to the original member. If all members pay the \$80.00 and sponsor six members, they advance to phase III. If the advancing members sponsor their own 2x4 matrix and pay \$400.00 each, \$2,400.00 goes to GM and EM with the original member getting \$2,300.00 and the remainder going to GM and EM to start another cycle.
 - b. The 240 Plus Program works much the same way. By paying a \$60.00 fee monthly, and by sponsoring two people as members, a member receives \$50.00 for each member monthly, and an additional \$40.00 per member more for each member thereafter starting with the third member. By Bureau calculations, there are upwards of 500 or more investors in these programs.
 - c. In both programs, TAS and 240 Plus, EM and GM are responsible for the management and operations of the programs. In its marketing materials, EM and GM claim that everyone will make money, but the programs are pyramids which create a mathematical certainty that the programs will fail to deliver as promised.
 - d. To become a member in the EM and GM programs, a person must fill out and sign an application form and pay the required fees. Therefore, the memberships are investment contracts and a security since the memberships evidences a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party. Although a member can recruit his own downline, it is not required, and a member can pay EM and GM to build the members downline. EM and GM also collect all the money and distribute the payments to the down-line. EM and GM do all the promotion and marketing of the programs. Therefore, the efforts of EM and GM are the

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undeniably significant ones, those essential managerial efforts which affect the failure or success of the enterprise.

- e. The marketing information distributed by EM and GM boasts that all it takes is each person sponsoring just two people to be successful with the program, and they can start securing their future of much needed extra monthly income in a bad economy. What the marketing materials fail to disclose is the vice of a pyramid distribution scheme. That is that those who enter the pyramid when the market is saturated bear the greatest risk of loss. Therefore, it would be virtually impossible to disclose the prospects for success or failure since the distribution chain changes on almost a daily basis.

5. Additionally, the Statements of Law section of the Staff Petition for Relief alleged, *inter alia*, that the programs offered by Morrisette and GM Enterprises were fraudulent:

Pursuant to RSA 421-B:3, it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly: To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. EM and GM violated this section by failing to disclose to its member investors the risks inherent in a pyramid scheme, and by misrepresenting that the GM programs can provide a steady stream of income with minimal or no effort on the part of the investor.

6. At least 17 Illinois investors participated in the fraudulent investment programs offered and sold by Morrisette and GM Enterprises.
7. Morrisette and GM Enterprises had an opportunity to request a hearing on the allegations made by the New Hampshire Bureau of Securities Regulation, and failed to make such a request. As such, a final Order was entered by the Bureau of Securities Regulation against Morrisette and GM Enterprises that made the Order to Cease and Desist permanent.
8. Furthermore, the entry of the final Order against Morrisette and GM Enterprises constituted a final determination of the issues presented in the Bureau of Securities Regulation's Order to Cease and Desist and gives sufficient basis for the entry of this Temporary Order of Prohibition.
9. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act").
10. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.

11. Section 12.F of the Act states that it shall be a violation of the provisions of this Act for any person to, engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
12. Section 12.G of the Act states that it shall be a violation of the provisions of this Act for any person to, "obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
13. Section 12.I of the Act states that it shall be a violation of the provisions of this Act for any person to, "employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly."
14. By virtue of the foregoing, Morrisette and GM Enterprises violated Sections 12.A, 12.F, 12.G and 12.I of the Act.

OFFER AND SALE OF UNREGISTERED SECURITIES

15. Section 5 of the Act provides, *inter alia*, that all securities except those exempt under Section 3 or those offered or sold in transactions exempt under Section 4 "shall be registered either by coordination or qualification prior ... to their offer or sale" in the State of Illinois.
16. Morrisette, both personally and as the Principal of GM Enterprises, failed to file with the Secretary of State an application for registration of the securities described above as required by the Act and, as a result, the securities were not registered pursuant to Section 5 of the Act prior to their offer or sale in the State of Illinois.
17. Furthermore, Morrisette, both personally and as the Principal of GM Enterprises, failed to file any notice filings with the Secretary of State claiming that the securities being offered were exempt from registration.
18. Section 12.A of the Act provides that it shall be a violation for any person to offer or sell any security except in accordance with the provisions of the Act.
19. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.
20. By virtue of the foregoing, the Respondents violated Sections 12.A and 12.D of the Act.

PROHIBITION

21. Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.
22. The entry of this **Temporary Order of Prohibition** prohibiting Respondents Eugene Morrisette and GM Enterprises or their agents, affiliates, successors and employees, from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondents **Eugene Morrisette and GM Enterprises** and each of their partners, members, officers and directors, agents, employees, affiliates, successors and assigns, are **Temporarily Prohibited** from offering or selling securities in or from this State for a maximum period of ninety (90) days.

NOTICE is hereby given that the Respondents may request a hearing on this matter by transmitting such request in writing to:

James Gleffe
Enforcement Attorney
Illinois Securities Department
Office of the Secretary of State
69 West Washington Street, Suite 1220
Chicago, Illinois 60602


Such request must be made within thirty (30) calendar days of the date of entry of the **Temporary Order of Prohibition**. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order of Prohibition.

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FAILURE OF ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated this 31st day of May 2011.



JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

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